

REVENUES



GENERAL FUND.....CITY TAXES

The City's major source of revenue comes from property taxes. This revenue is calculated by multiplying the taxable valuation of the property by the specific tax levy for General Operations. If either of these variables increases or decreases, a relative change to the City tax revenue will be experienced.

In the 2005/06 budget, operating City tax revenue represents 53.6 percent of total revenue sources, an increase of \$2.3 million or 7.7 percent over the fiscal year 2004/05 budget. The City's taxable valuation (TV) increased by 3.1 percent due to new construction and a 2.3 percent valuation adjustment on most existing real property.

The General Operations tax levy for the 2005/06 fiscal year is 6.50 mills per \$1,000 taxable value. The operating millage rate reflects an increase of .25, the first increase since 1996.

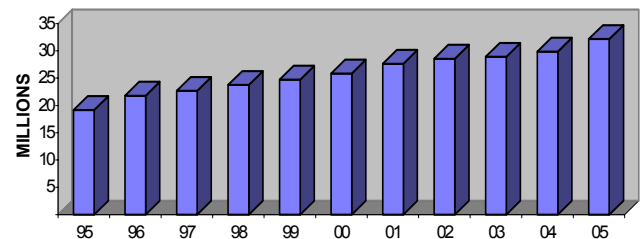
The City's total tax rate of 9.45 mills remains at the same level for four straight years. The operating millage rate of 8.12 mills (General Operating – 6.50 and Capital – 1.62) continues to be below the 10.00 millage rate established by City Charter and below the 8.5077 Headlee maximum allowable levy, down from 8.53. This is the first Headlee rollback since 2001.

LICENSES AND PERMITS

The revenue source of Licenses and Permits is made up of business licenses and permits and non-business licenses and permits.

This revenue source represents 3.4 percent of total revenue sources, and is generated by fees charged to individuals and businesses for the building of new structures as well as improvements made to existing structures.

PROPERTY TAX REVENUE



The largest source of revenue is generated by building permits, which accounts for \$1,250,000 or 62.1 percent of the total Licenses and Permits.

FEDERAL, STATE AND LOCAL RETURNS

Another source of revenue to the City is federal, state and local returns. This source of revenue is comprised of grants from the federal, state, and county levels of government. The major source in this revenue category is state revenue sharing.

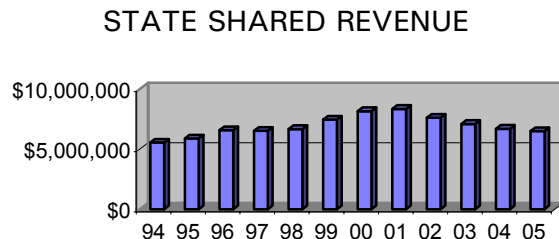
State revenue sharing amounts to \$6.5 million and 10.8 percent of total General Fund revenue. As can be seen on the following chart, this revenue source has decreased since 2001.

The main revenue source the state uses in determining this distribution is sales tax collections. This source of revenue has come under pressure due to the state of the economy. We continue to be conservative in our revenue estimates.

REVENUES



The distribution of state shared revenue is based on population and relative tax efforts at the time of the distribution.



CHARGES FOR SERVICES

Charges for services are broken into the following four categories: fees, services rendered, sales and uses. In total, this revenue source generates \$6.0 million or 9.9 percent of total General Fund revenue.

The major sources of revenue are CATV franchise fees, Parks & Recreation program fees, Community Center pass fees and Engineering fees. The Community Center and Community Center program revenue is reviewed annually to meet the goals established by City Council.

OTHER FINANCING SOURCES

The two main revenue sources are the utilization of the General Fund undesignated unreserved Fund Balance and the transfer from Other Funds. The Major and Local Streets revenue source is made up of State gasoline and weight taxes that are returned to the City based on population and number of miles of streets.

The Capital Fund transfer is a reimbursement of prior year advances.

The City has designated a portion of Fund Balance for the past several years as a means to balance the budget. Since we rely on this source to balance the budget, we take a very conservative approach in projecting revenues and monitor expenditures very closely.

SPECIAL REVENUE FUNDS..... TAXES

The Refuse Fund derives its revenue from applying .83 mills to the taxable value of property.

STATE RETURNS

Major and local streets receive funding from the State of Michigan based on \$.19 tax per gallon of gasoline distributed on a formula using miles of roads.

ENTERPRISE FUNDS..... CHARGES FOR SERVICES

Water and sewer rate revenues are discussed in the Executive Summary on page 25.

INTERNAL SERVICE FUNDS..... CHARGES FOR SERVICES

The Building Operations Fund generates its revenue on charges to various departments based on square footage.

The Information Technology Fund generates its revenues by a charge per workstation.